


Yukon Liquor Corporation

Annual Report



Yukon Liquor Store
Territorial Agent's Office
Mayo Public Library
Conservation Officer Services
Social Services
Property Management Office
Yukon Housing Office

GOVERNMENT OF THE
YUKON TERRITORY
MAYO ADMINISTRATION BUILDING

April 1, 2006 – March 31, 2007





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Photos by Government of Yukon

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Minister's Message

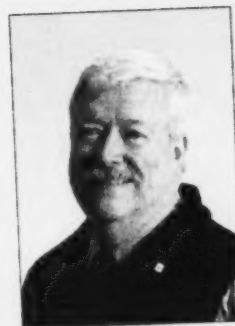
I would like to commend all Yukon Liquor Corporation staff again this year for your efforts in encouraging social responsibility in the consumption of liquor, while at the same time working to make sure that customers, licensees, and permit-holders have a good variety of products from which to choose. Your efforts are greatly appreciated!

Recent amendments to the *Yukon Liquor Act* and *Regulations* have opened the door for increased economic diversification here in the Yukon, by allowing the local manufacture of wines and spirits, including liqueurs, in addition to brewing beer. We look forward to assisting local manufacturers to showcase a full range of Yukon-produced products.

We also moved forward on a change to the *Liquor Regulations*, which harmonized the maximum capacity calculation for licensed premises and events with the *National Fire Code*. The amendment provides consistency in the way maximum occupant capacity is determined.

All of Yukon Liquor Corporation's net income is transferred to the Government of Yukon, to support a variety of government programs that benefit Yukoners. I am very pleased that the Corporation has increased its contribution again this year.

I would also like to again express my appreciation to the Yukon Liquor Board, responsible for new license applications and for hearing appeals. They have continued to provide a high standard of responsiveness to applicants and appellants, and play a key role in the Corporation's ability to achieve its goals.



A stylized, handwritten signature in dark ink, appearing to read 'Jim Kenyon'.

Jim Kenyon

Minister responsible for the
Yukon Liquor Corporation





Corporate Plan

Our Mandate

Yukon Liquor Corporation is responsible for the purchase, distribution, and sale of liquor products in the Yukon.

Our Vision

Liquor products are enjoyed in a safe, legal and socially responsible manner.

Our Purpose

- to purchase a range of liquor products and make them available to consumers, and to regulate the sale and consumption of liquor products

Our Values

- to treat staff and customers fairly, reasonably, respectfully, and consistently
- to employ a participative management style to keep staff and customers informed on the issues and the decisions that affect the Corporation
- to provide excellent service to customers

Our Strategic Goals

- ensure availability and variety of products to meet customer demand
- regulate the sale and consumption of liquor products, and promote and enforce their legal and socially responsible sale and service
- optimize the net proceeds to government realized from the sale and control of liquor
- provide timely and efficient access to specific government services on behalf of other government departments in five rural communities
- support the return and recycling of beverage containers, where necessary







President's Report

During the past year, the Yukon Liquor Corporation continued to focus on its social responsibility role as a priority. I am very pleased to have seen partnerships with other organizations in this area continue to increase, through implementation of the *Substance Abuse Action Plan*.

The driver licence folders promoting the 'Drive Safe, Drive Sober' message; Be a Responsible Host kits; and the 'Undrunk' campaign designed for youth are examples of initiatives that have further contributed to this objective. We have also seen strong participation from licensee staff in our Be a Responsible Server (BARS) self-study course since it was introduced, and our ID inspection blitz that focused on minors, in partnership with licensees, was very well-received.

The Yukon Liquor Corporation participated in national initiatives as well, such as the 'By-Ways' campaigns that focused on safe outdoor activities. With regard to the national initiatives, we were very pleased to host the annual meeting of the Social Responsibility Sub-Committee of the Canadian Association of Liquor Jurisdictions in Whitehorse during 2007.

The Yukon Liquor Corporation undertook facility renovations at a number of our stores during the past year. Working with our clients and staff we will continue to ensure that the stores provide a positive retail and working environment. My appreciation is extended to staff and our Yukon contractors for making those renovations happen without significant disruptions to our customers! This year, our planned renovations to the Central Warehouse will allow us to continue to increase our product selection for clients.

Our Licensing, Development & Social Responsibility branch continues to work in partnership with industry, promoting compliance and engaging in constructive dialogue with licensees to assist them in complying with the *Liquor Act*. We will continue this focus in the coming year, in accordance with our compliance framework which is outlined in this report.

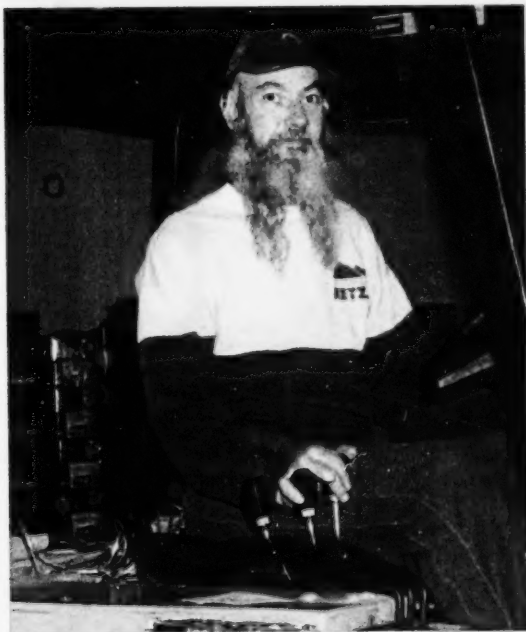
We are continuing to work with other departments on whose behalf we provide Territorial Agent services to review and streamline work processes as much as possible, so as to provide the best possible service to Yukoners and our visitors in rural communities. We have also been working closely with the Public Service Commission to offer a distance-education version of the Supervisory Success program for our rural staff, in 07/08.

Yukon Liquor Corporation sales increased by 8% in 06/07. In turn, this generated a total of \$9.2 million in net income and liquor tax in 06/07. The entire amount is transferred to the Government of Yukon, for use in supporting important and beneficial government programs.

Thank you again to all staff, and to our clients and partners, for another successful year!



Marc Tremblay
President
Yukon Liquor Corporation





Overview

General

Yukon Liquor Corporation operates a central warehouse and distribution centre in Whitehorse, and six Yukon Liquor Stores. The five rural liquor stores also provide specific Territorial Agent services on behalf of other government departments.

The Corporation transfers all its net income to the Government of Yukon. It is responsible for the *Liquor Act* and *Liquor Regulations*. In addition, the Corporation collects and remits a 12% tax on the retail value of all liquor products sold in the Yukon, as required by the *Liquor Tax Act*. In 06/07, net income and liquor tax transfers to the Government totaled \$9.2 million.

The President of the Yukon Liquor Corporation also manages Lotteries Yukon and provides support to the Yukon Lottery Commission.

Yukon Liquor Board

The Board is responsible for licensing decisions, and for hearing appeals of license suspensions, barrings, and permit refusals. Administration of the Corporation is the responsibility of the President, directed by the Minister.

Currently, the Board has five members, appointed by Cabinet. The Board meets monthly, with additional meetings scheduled as required. Support to the Board is provided by the Licensing, Development & Social Responsibility and Program Support branches.

Corporation

The Corporation has four branches: Purchasing & Distribution; Retail Sales & Territorial Agent Services; Licensing, Development, & Social Responsibility; and Program Support. The Department of Community Services also provides shared services to Yukon Liquor Corporation in the areas of Human Resources, Finance & Systems, and Policy & Communications.

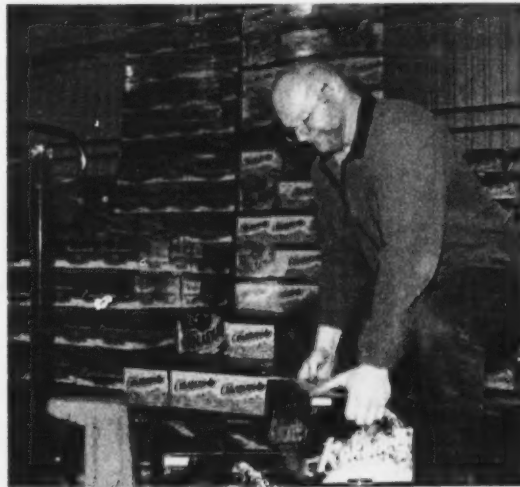


Purchasing & Distribution Branch

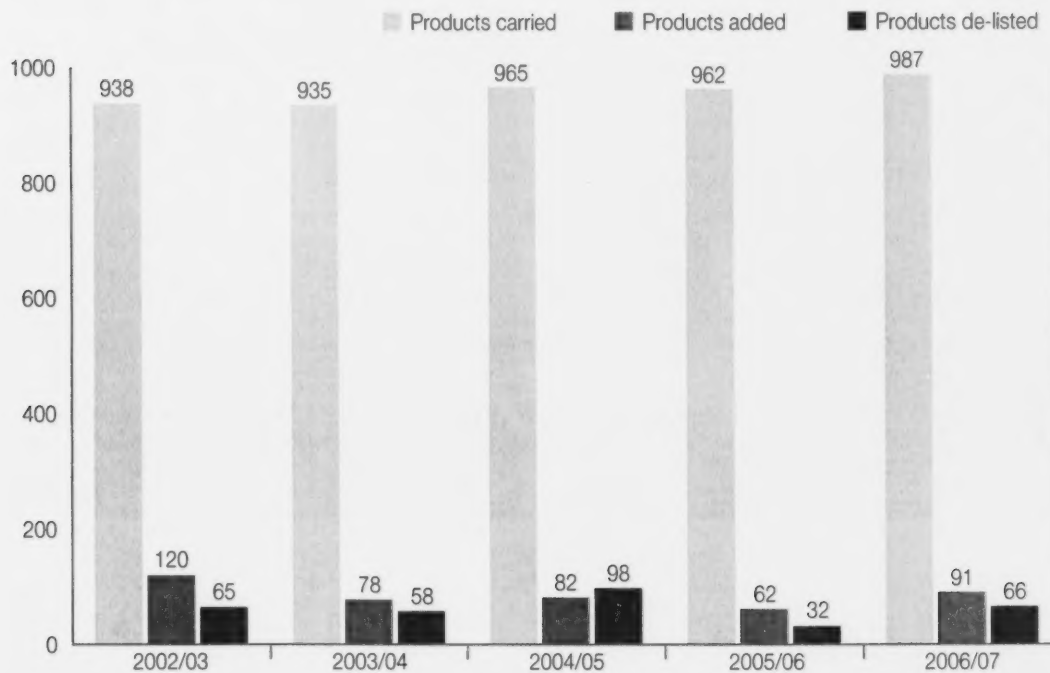
This Branch is responsible for the purchasing, inventory management, and distribution of liquor products.

Purchasing & Distribution Branch gathers input from a range of sources, including licensees and other customers, industry, and other jurisdictions, in determining which products to offer for sale in the Yukon, and at what price.

Products are ordered from various locations in Canada. Locally-produced beer is purchased from the Yukon Brewing Company in Whitehorse. All other Canadian-made beer is purchased from breweries in Vancouver. Canadian-made wines and spirits are purchased directly from suppliers in British Columbia, Alberta, Ontario, and Quebec. All imported wine, spirits and beer are purchased from the B.C. Liquor Distribution Branch. This allows the Yukon Liquor Corporation to buy a range of products for our customers, in smaller quantities than might otherwise be possible. The arrangement also allows the Corporation to use the quality control and product expertise of the B.C. Liquor Distribution Branch for a modest administrative fee, reducing the Corporation's overhead.



Orders for all non-Yukon products are consolidated in Vancouver and shipped to the central liquor warehouse in Whitehorse. Staff then distributes orders to licensees and to the six Yukon Liquor Stores. Whitehorse licensees purchase their products directly from the central warehouse, and the Whitehorse store serves primarily individuals. The rural stores serve both the general public and licensees.





Purchasing & Distribution staff work closely with suppliers to develop and implement progressive marketing strategies and merchandising programs for shelf management, merchandise display, and in-store tasting programs, in close co-operation with the Retail Sales & Territorial Agent Services branch.

2006/07 saw the continuation and expansion of a successful partnership with the annual Rotary Wine Festival, moving to a larger space and once again providing Yukon Liquor Corporation and wine agents with an opportunity to showcase products and get customer feedback on local taste. As a direct result of the festival, Yukon Liquor Corporation listed 28 new wines immediately after the festival, with a further 22 added from the festival listings based on strong retail sales in November and December.

Improvements to the warehouse are planned for 2007/08. These improvements will allow the Corporation to continue to expand its product selection in all categories, as requested by customers.

How do I place a special order?

Contact your local Yukon Liquor Store or Purchasing & Distribution at 867-667-8928 (toll-free 1-800-661-0408, ext. 8928). The minimum order is one case.

Staff will research the cost, including shipping, and provide an estimated price and expected delivery date to you. YLC needs a 50% deposit of the total estimated cost before placing the order. You can pay with cash or credit/debit card (or other pre-authorized payment arrangements, in the case of licensees).

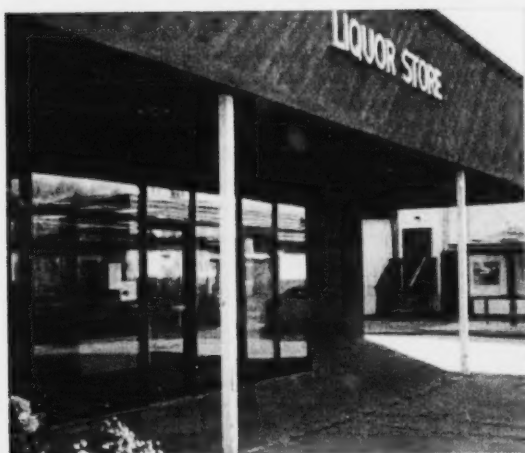
Special orders take between four and 12 weeks to arrive, based on where they are coming from. Staff will contact you by telephone when your special order arrives, and you can arrange for pick-up and final payment then.



Whitehorse



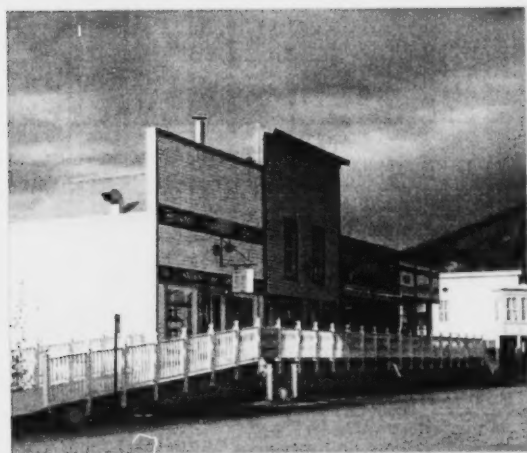
Watson Lake



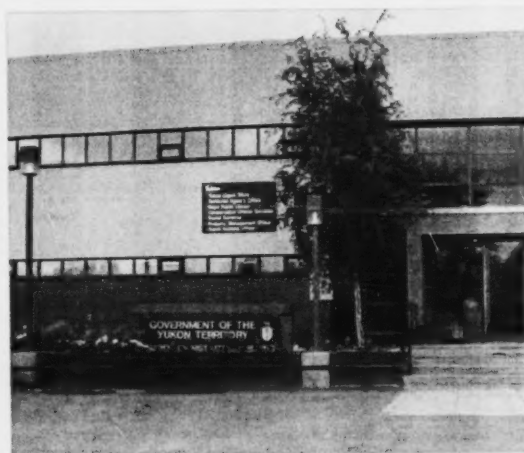
Faro



Haines Junction



Dawson City



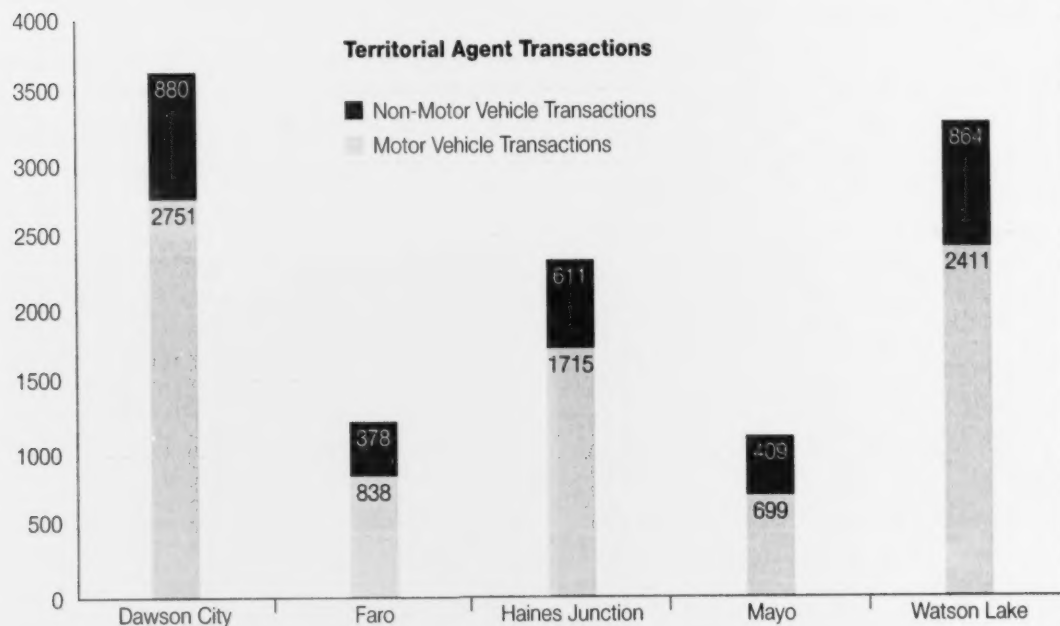
Mayo

Retail Sales & Territorial Agent Services Branch

The Retail Sales & Territorial Agent Services Branch manages the Yukon government liquor stores, and delivers Territorial Agent services in rural communities with liquor stores. The Branch operates six retail liquor stores: Dawson City, Faro, Haines Junction, Mayo, Watson Lake, and Whitehorse. The stores offer a wide assortment of wine, spirits, beer, and coolers.

The retail liquor stores in the rural communities sell products to licensees as well as to individual customers. They also issue special occasion and reception permits, and are open Tuesday to Saturday. The Whitehorse liquor store sells primarily to individual customers, although it will accommodate licensees when necessary, and is open Monday to Saturday.

Rural store Territorial Agents provide specific services on behalf of other Government of Yukon departments, such as issue and renewal of driver licences, fishing licences, motor vehicle registrations, and business licences. They also receive payments on behalf of the government, such as property taxes and court fines.



Whitehorse
Liquor Store Survey
2006



Whitehorse Liquor Store Survey & Renovations

In August, Yukon Liquor Corporation surveyed almost 500 customers, for their input on priorities for the Whitehorse store and what was important to them. Full survey results were published and are available.

As part of our response to that survey, renovations to the store have been undertaken. With substantial effort by staff and local contractors, inconvenience to customers was minimized and the end results are striking.



Whitehorse



Whitehorse

Two other stores were updated in 06/07: the Dawson liquor store interior was completely repainted and some Territorial Agent/office area renovations undertaken. Exterior repainting was completed in summer 07/08. New flooring was installed in the Faro store, replacing very badly worn existing flooring, and the Territorial Agent/office area was substantially renovated, providing greatly increased convenience for staff and customers. Again, both Dawson and Faro staff worked very hard to make these changes happen without sacrificing their high customer service standards.



Dawson City



Faro

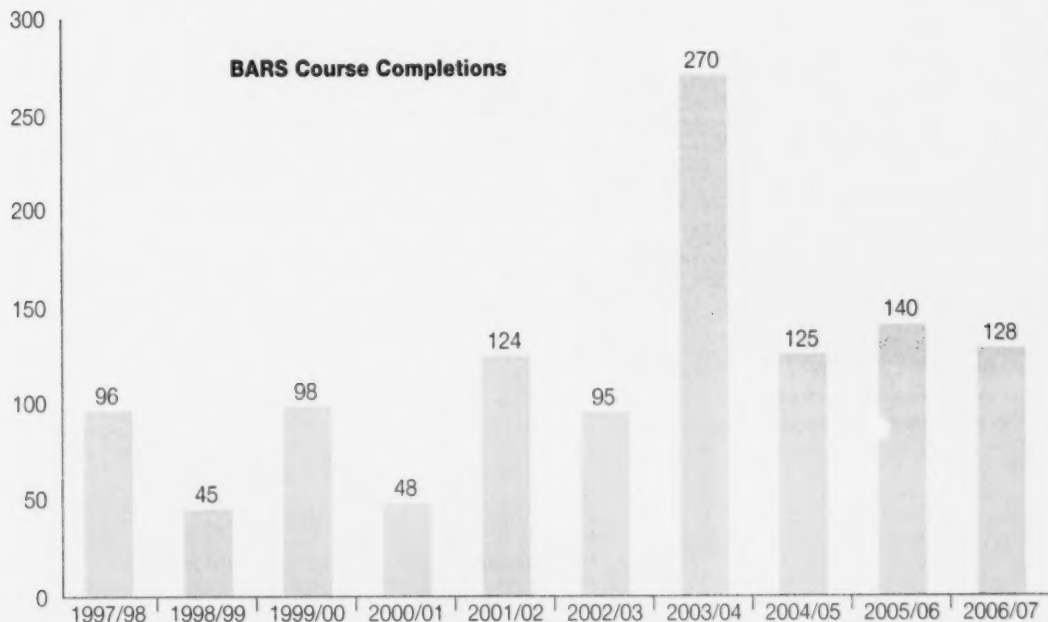
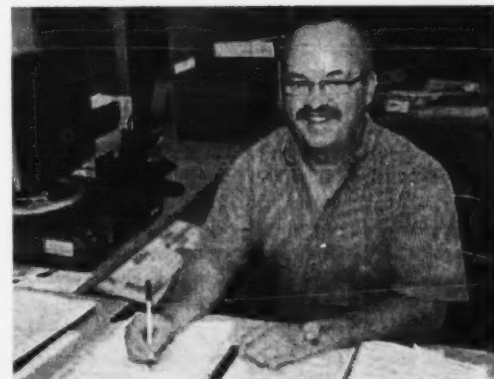
Licensing, Development & Social Responsibility Branch

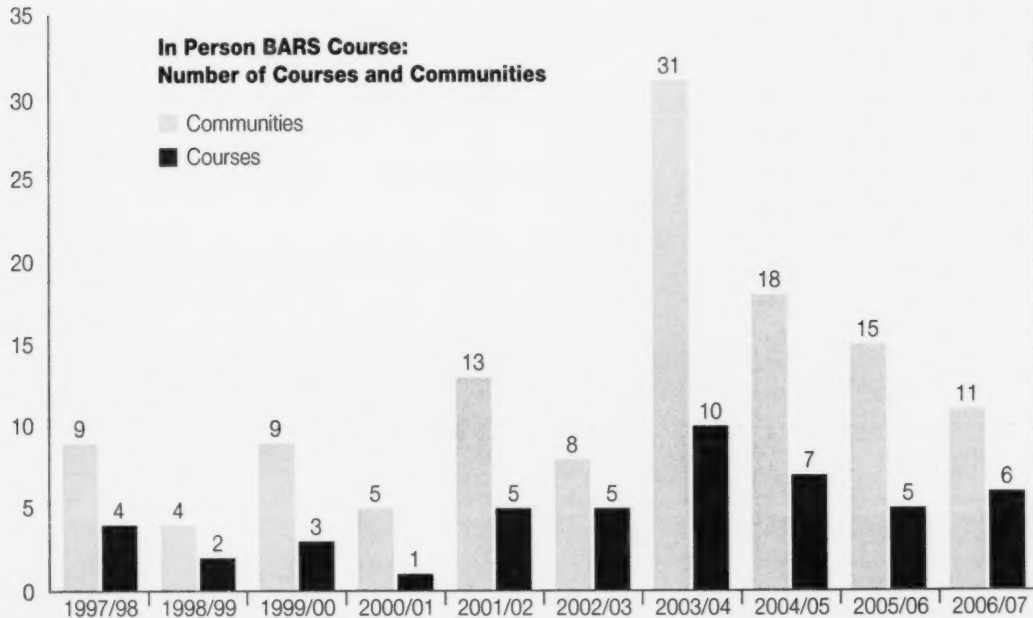
Working with licensees, permit-holders, liquor consumers, and staff, the branch promotes compliance with the *Liquor Act* and *Regulations* through training, education, inspection, discussion, and enforcement. It partners with other organizations to develop and deliver a variety of campaigns in support of responsible consumption.

The Licensing, Development & Social Responsibility Branch is responsible for liquor licensing and inspection throughout the Yukon. Staff works with applicants for liquor licences and permits to assist them to meet the requirements of the legislation. New licence applications are considered by the Board, and permits and licence renewals are considered by the President.

The branch uses a combination of training, education, dialogue, inspection, and enforcement to ensure that the provisions of the *Liquor Act*, *Regulations*, and related policies are being met.

Licensees and their staff are encouraged to participate in various training and information sessions offered by the Branch. For example, the Branch delivers the "Be a Responsible Server" (BARS) course. This is a three-hour server-training program, made available free to participants. Its purpose is to make servers and licensees aware of their legal responsibilities as liquor providers, and to encourage both responsible service and voluntary compliance. It is also available in a self-study format.





The branch staff works to establish and foster constructive working relationships with licensees, permit-holders, and their staff. As part of a systematic approach to check that licensees and permit-holders are adhering to the *Liquor Act, Regulations*, and related policies, Liquor Inspectors maintain a balanced schedule of walk-through and full-premise inspections of licensed establishments and special events to check that licensees and permit-holders are adhering to the *Liquor Act, Regulations*, and related policies. These inspections focus on aspects of both operations and facilities.

This branch is also responsible for developing and implementing social responsibility initiatives, in co-operation with other government departments and community stakeholders. Social Responsibility resources are levered through partnerships with other organizations to maximize impact, and a variety of tools are used to reach the identified target audiences. Our broad-based social responsibility program partners with various inter-agency and community groups and other territorial government departments in delivering public education programs and encouraging responsible drinking practices.

The Corporation also organizes advertising campaigns featuring responsible drinking messages. In consultation with industry, we have also made changes to the monthly Licensee Information Bulletin to provide information in a clear and concise manner, to help communicate YLC and industry initiatives, and clarify new or changing policies.

Compliance Framework

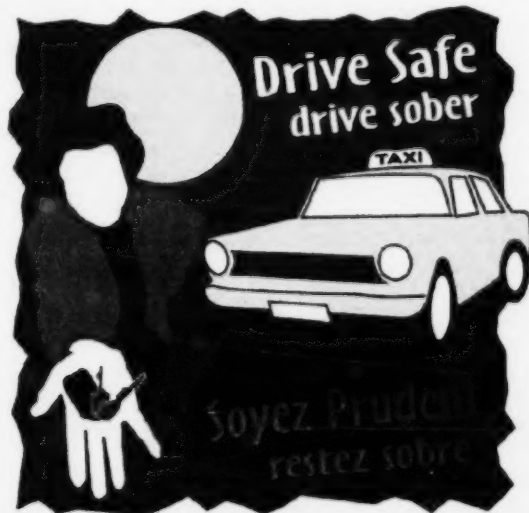
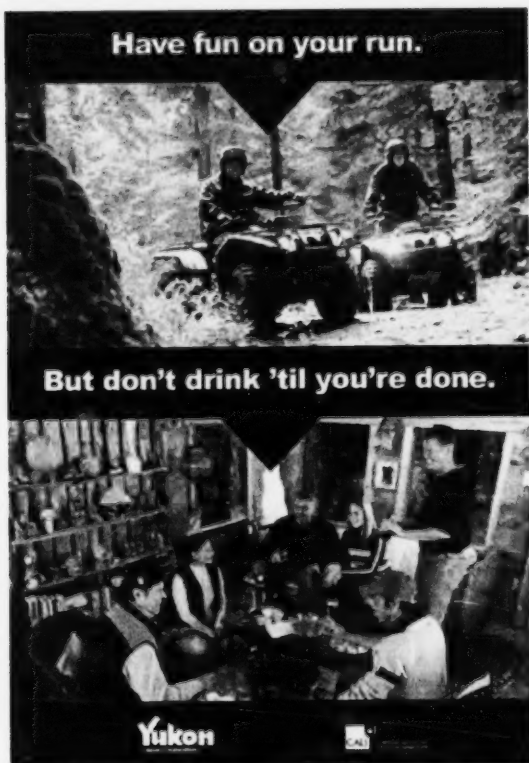
Licensees and permit-holders are responsible for:

- Adhering to the *Liquor Act, Regulations*, and related policies
- Training and monitoring staff
- Operating their establishment/event in accordance with the *Liquor Act, Regulations*, and related policies

Yukon Liquor Corporation — Licensing, Development & Social Responsibility is responsible for:

- Providing training, education, and access to related information to licensees and permit-holders
- Establishing and fostering constructive working relationships with licensees, permit-holders, and their staff
- Developing and implementing a system to check that licensees and permit-holders are adhering to the *Liquor Act, Regulations*, and related policies
- Using a combination of training, education, dialogue, inspection, and enforcement to ensure that the provisions of the *Liquor Act, Regulations*, and related policies are being met

YLC continued to participate in the national “By-Ways” campaign dealing with responsible drinking when operating motorized vehicles in recreational settings. The campaigns were promoted through posters, theatre slides, and liquor store till computer displays.

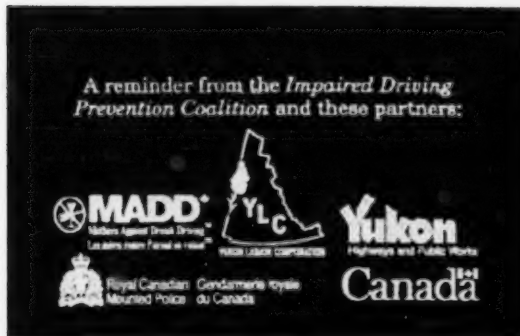


A bold reminder to drive safe and sober can be seen on our paper bags, outdoor trash containers and at sports venues.

Yukon Liquor Corporation continued to support alcohol-free graduation events, by providing donations to all Grade 12 classes throughout the Yukon and a variety of materials using the slogan, "Plan Ahead to Stay Safe", including parent/youth Party Tip brochures. This year, the Corporation also adapted the "Grad Chocolates" program from British Columbia. All donations made by the public were provided directly to school graduation committees and the total amount of public donations were matched by Yukon Liquor Corporation in a contribution to MADD.



The very successful "Good Host" kits were used both as grad gifts, in partnership with other agencies, and sold through liquor stores to provide another reminder not to drink and drive.



PERMITS & SERVING LIQUOR RESPONSIBLY

There are two kinds of permits — a Reception Permit and a Special Occasion Permit. Make sure you get the right one!

Remember — if you serve as on the permit, you are responsible for the drinking that goes on at your event!

Questions? Please contact us — our contact information is on the back of this pamphlet.



Yukon



OBTENIR UN PERMIS ET SERVIR DE L'ALCOOL DE MANIÈRE RESPONSABLE

Il existe deux sortes de permis: le permis de réception et le permis pour occasion spéciale. Assurez-vous de vous procurer le permis approprié.

Rappelez-vous, si vous servez ou êtes sur le permis, vous êtes responsable de la consommation d'alcool qui se fera à votre événement.

Vous avez des questions? N'hésitez pas à communiquer avec nous. Nos coordonnées se trouvent au verso de cette brochure.

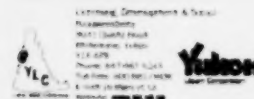


Yukon

Yukon Liquor Corporation partnered with MADD and other members of the Impaired Driving Coalition to produce driver licence folders, carrying the "Drive Safe, Drive Sober" message. These folders were distributed by Motor Vehicles staff, Territorial Agents and Territorial Representatives throughout the Yukon.

Be prepared to show your ID, if you appear to be under the age of 19.

Be Prepared to Show ID!



What is a Special Occasion Permit?

A Special Occasion permit allows a non-profit organization to sell liquor at a special event, such as a fund-raiser or festival.

What is a Reception Permit?

A Reception Permit allows an individual, organization, or corporation to serve (not sell) liquor at a special event held in a public place. Examples are wedding receptions, retirement parties, or art gallery show openings.

For more information, see our "Hosting an Event" pamphlet, available at Liquor Stores, Head Office, and at www.ylc.yk.ca.

Program Support Branch

The Program Support Branch provides YLC with a variety of essential support services. The responsibilities and services of this unit include telecommunications, records management, contract administration, administrative and reception functions, and other support services to all branches of the Corporation. This branch also works with Licensing, Development, & Social Responsibility to provide Secretariat Services to the Yukon Liquor Board.

Shared Services

Shared Services are provided to Yukon Liquor Corporation by the Policy & Communications, Human Resources, and Finance, Systems & Administration branches of the Department of Community Services. These centralized branches provide corporate services and support for the Department of Community Services, Yukon Liquor Corporation, Yukon Housing Corporation, and Yukon Lottery Commission.

Policy & Communications

The Policy & Communications Branch provides a wide array of services for the Yukon Liquor Corporation, including support for policy related issues, research, program development, legislative session support, advertising, news releases, communication material and support, and media relations.

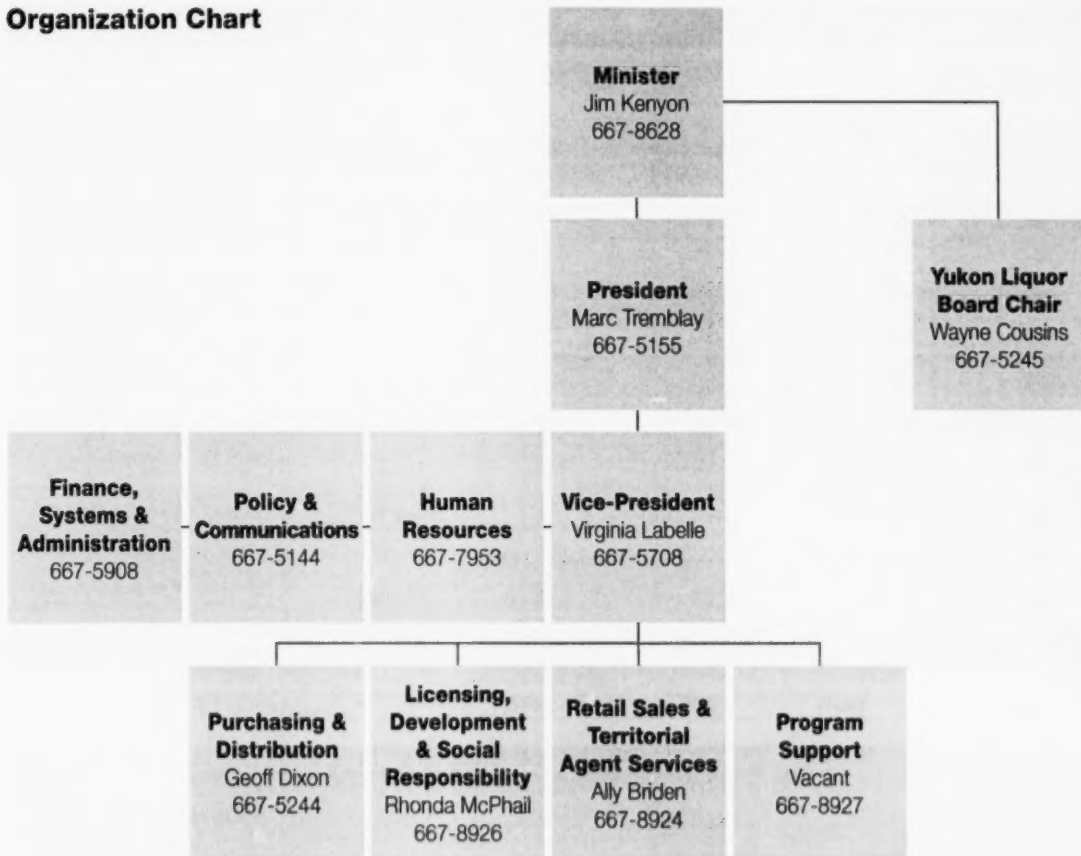
Finance, Systems & Administration

The Finance, Systems & Administration Branch provides financial operation, information systems and selected other administrative services.

Human Resources

The Human Resources Branch provides a full range of Human Resource services, advice, and support that facilitate the delivery of programs and quality customer services.



Organization Chart

Toll-free within Yukon: 1-800-661-0408





Highlights

Volume of Liquor Sold by Location (Hectolitres)

Location	Spirits	Wine	Beer & Cider	2006/07	2005/06
Central Warehouse	1,000	657	14,570	16,227	16,012
Dawson City	259	293	3,943	4,495	4,421
Faro	115	31	912	1,058	1,123
Haines Junction	115	94	1,593	1,802	1,740
Mayo	77	119	730	926	906
Watson Lake	270	184	2,719	3,173	3,299
Whitehorse	1,874	2,525	12,662	17,061	16,285
Total 2006/07	3,710	3,904	37,129	44,743	
Total 2005/06 (note 1)	3,056	4,118	36,611		43,785

Note 1: For most of 2005/06, Coolers were included in Wine. As of fall 2005/06, Coolers are now included in Spirits.

Sales by Location (000s)

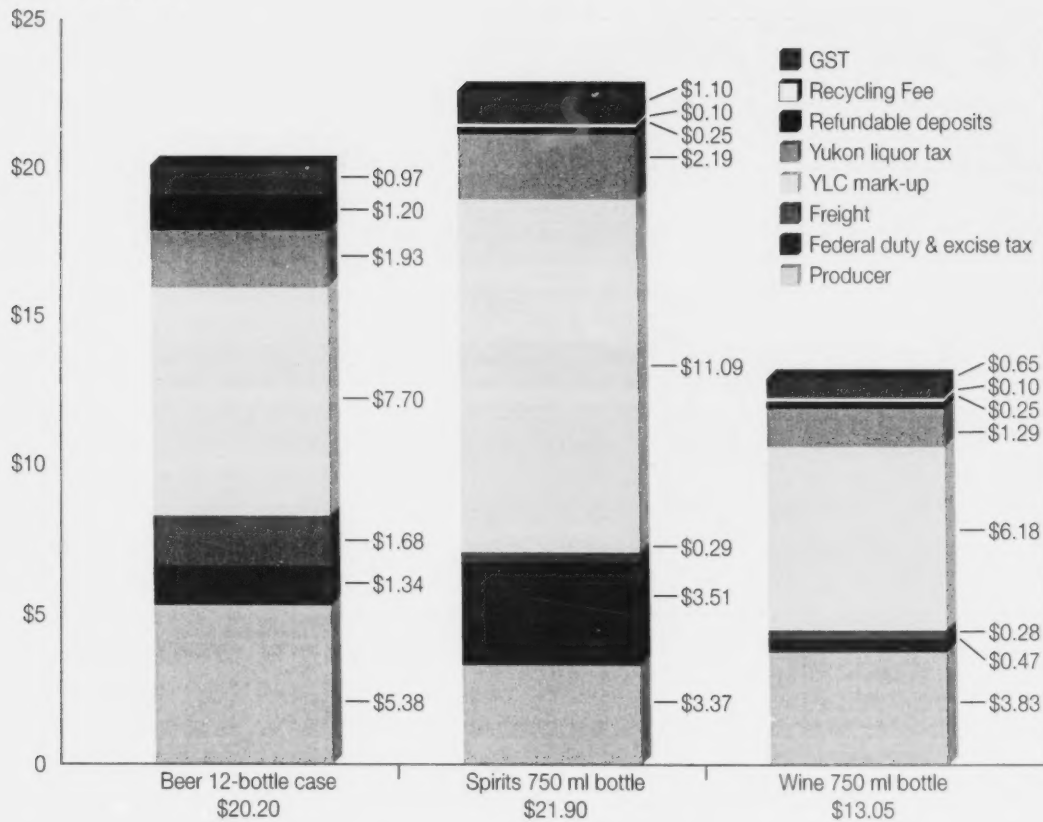
Location	Spirits	Wine	Beer & Cider	2006/07	2005/06
Central Warehouse	1,819	709	5,094	7,622	7,206
Dawson City	575	315	1,406	2,296	2,167
Faro	236	31	332	599	607
Haines Junction	225	105	560	890	800
Mayo	165	96	257	518	480
Watson Lake	557	170	956	1,683	1,592
Whitehorse	3,993	2,820	4,629	11,442	10,229
Total 2006/07	7,570	4,245	13,234	25,049	
% of Sales	30.2%	16.9%	52.8%	100%	
Total 2005/06	6,987	3,745	12,349		23,081
% of Sales	30.3%	16.2%	53.5%		100%

Sales by Product Type		\$ (000s)	2006/07	\$ (000s)	2005/06
Whiskey	Domestic	1,572	6.3	1,498	6.5
	Imported	105	0.4	104	0.5
Scotch	Domestic	-	0.0	-	0.0
	Imported	431	1.7	400	1.7
Rum	Domestic	995	4.0	915	4.0
	Imported	71	0.3	77	0.3
Gin	Domestic	85	0.3	81	0.4
	Imported	158	0.6	154	0.7
Brandy	Domestic	50	0.2	13	0.1
	Imported	82	0.3	105	0.5
Liqueur	Domestic	343	1.4	125	0.5
	Imported	910	3.6	1,001	4.3
Vodka	Domestic	1,720	6.9	1,460	6.3
	Imported	173	0.7	191	0.8
Coolers	Domestic	613	2.4	621	2.7
	Imported	53	0.2	42	0.2
Other	Domestic	154	0.6	122	0.5
	Imported	55	0.2	78	0.3
Total Spirits		7,570	30.2	6,987	30.3
Wine	Domestic	1,867	7.5	1,430	6.2
	Imported	2,351	9.4	2,281	9.9
Wine Coolers	Domestic	7	0.0	-	0.0
	Imported	21	0.1	34	0.1
Total Wine		4,245	16.9	3,745	16.2
Beer	Domestic	11,943	47.7	11,147	48.3
	Imported	741	3.0	670	2.9
Cider	Domestic	541	2.2	522	2.3
	Imported	9	0.0	10	0.0
Total Beer & Cider		13,234	52.8	12,349	53.5
Subtotal		25,049	100	23,081	100
Other Sales Income		71		108	
Grand Total		25,120		23,189	

Sales by Product Type



Price Analysis

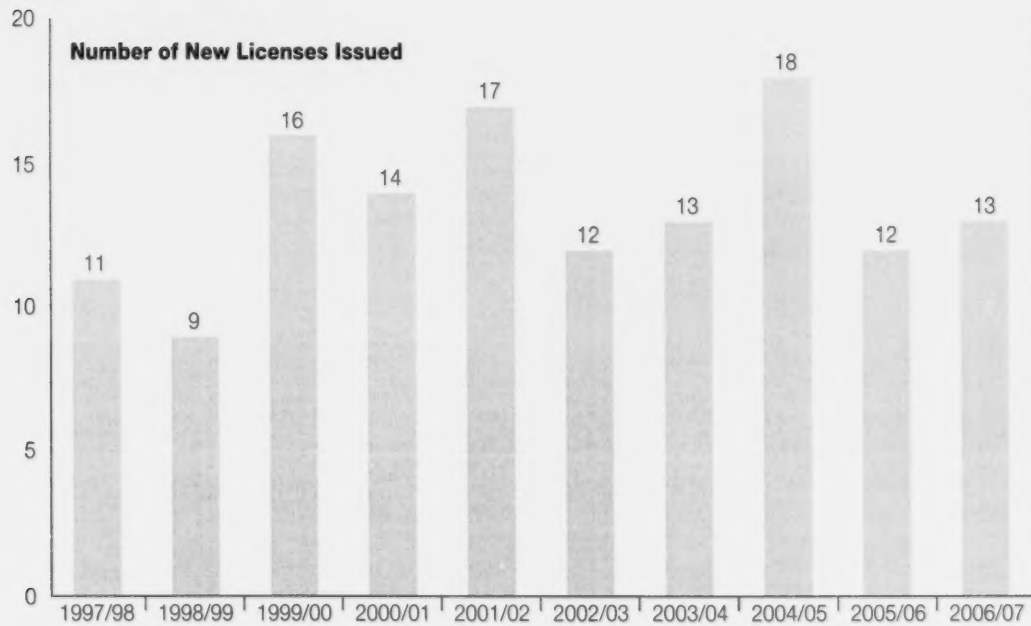
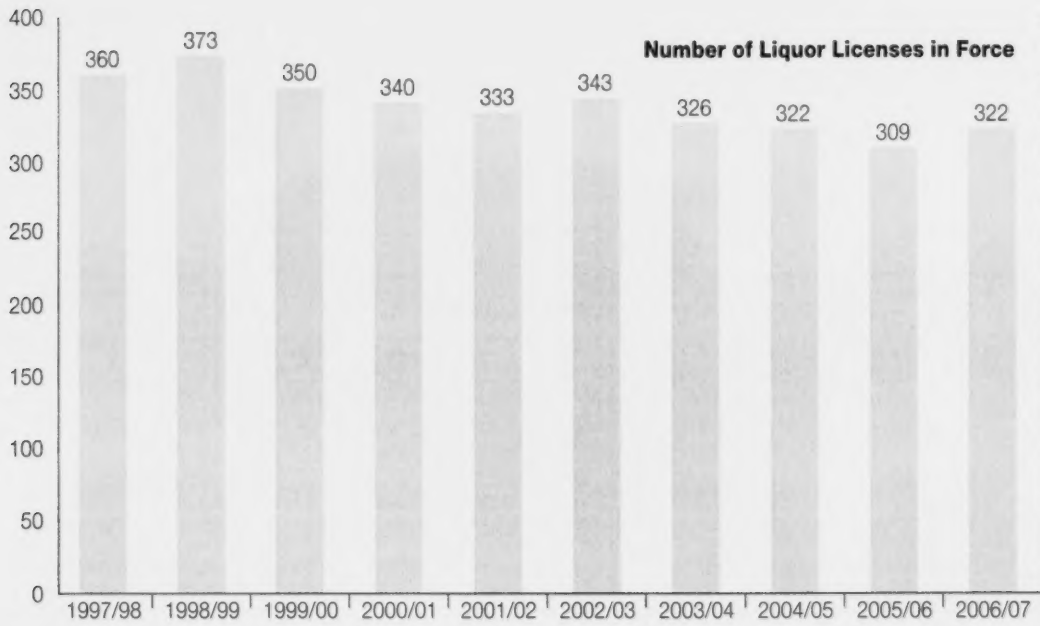


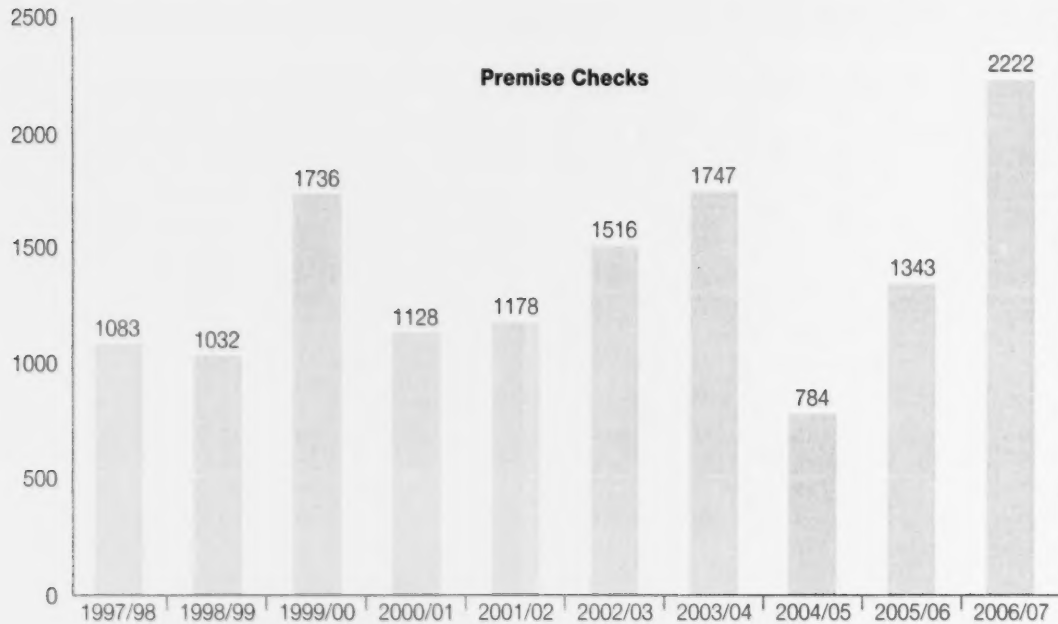
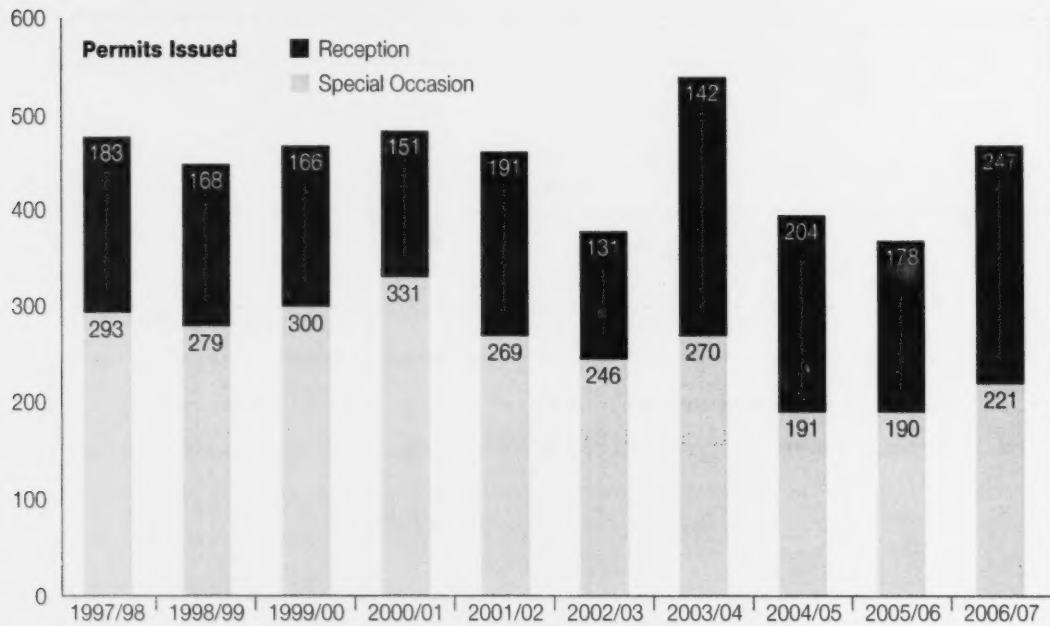
Licences and Permits

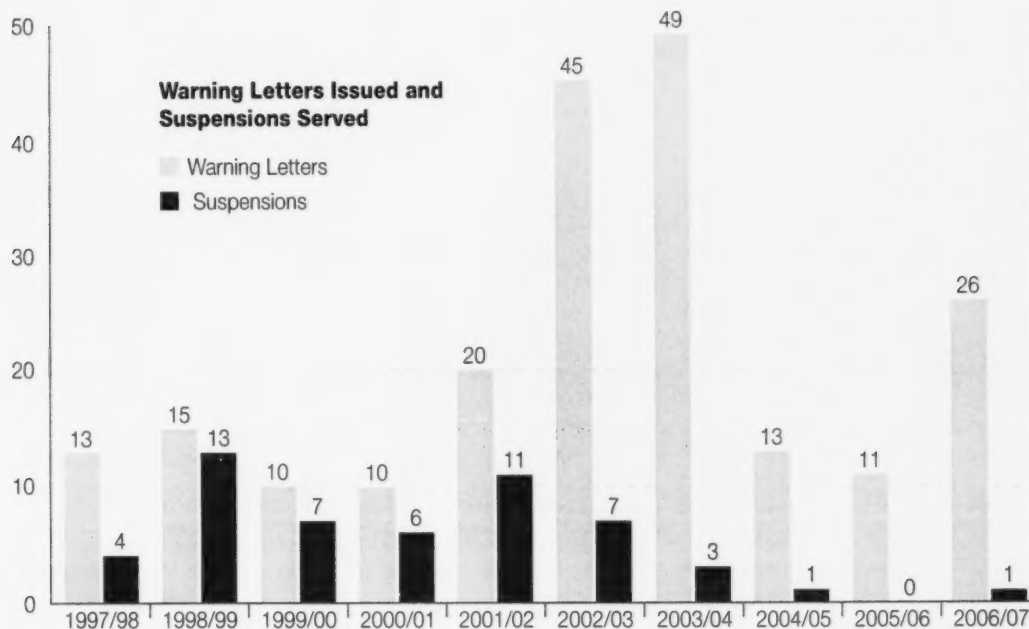
Liquor Licences by Type	2006/07	2005/06	2004/05	2003/04	2002/03
Cocktail Lounge	56	51	55	56	62
Dining Room	51	51	57	56	64
Restaurant	45	43	40	41	43
Liquor Off Premises	60	59	64	65	68
Beer Off Premises	25	23	25	25	24
Club	13	10	10	10	10
Special	37	38	33	34	35
Aircraft/Ship	3	3	3	3	3
Room Service	21	21	23	24	22
Mess	1	1	1	1	1
Sport Stadium	1	1	1	1	1
Recreation Facility	7	6	8	8	8
Brewers	1	1	1	1	1
Brewers Retail	1	1	1	1	1
Total	322	309	322	326	343

Summary of Permits Issued by Location During 2006/07

Location	Reception	Special Occasion
Dawson City Store	46	35
Faro Store	0	5
Haines Junction Store	17	24
Mayo Store	0	7
Watson Lake Store	1	14
Whitehorse Office	183	136
Total	247	221





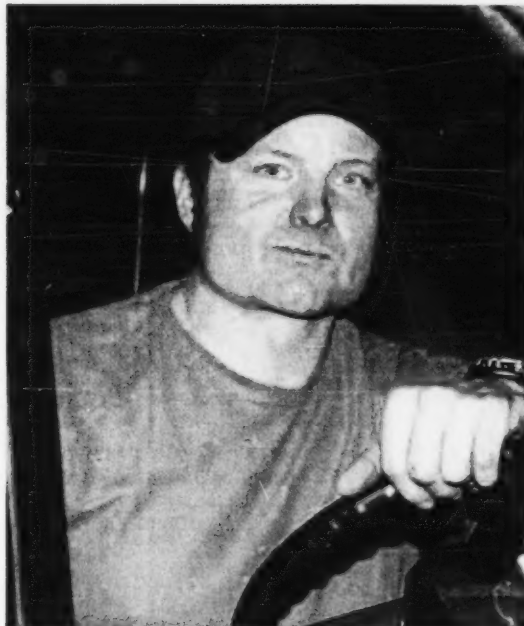
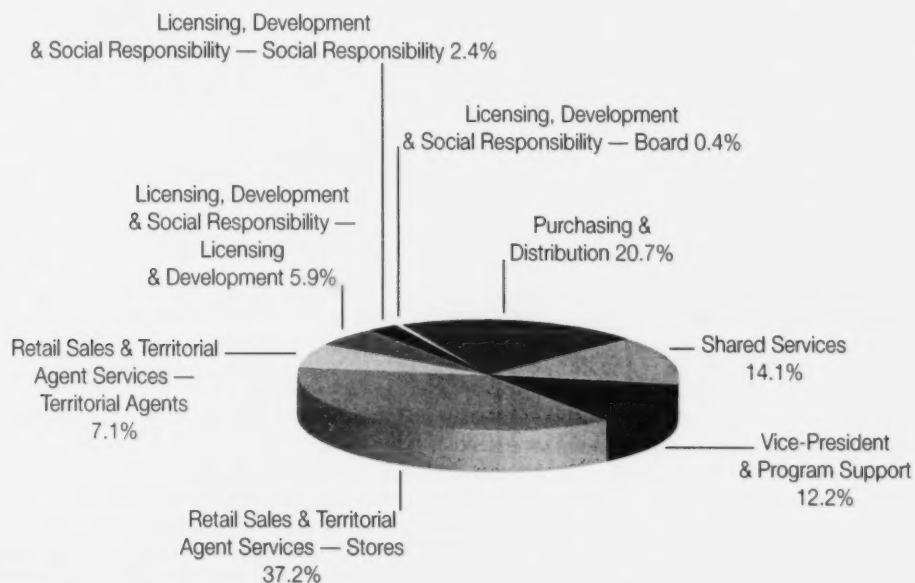


During the 2006/07 fiscal year, 26 letters of warning were issued for offences under the *Liquor Act* and *Liquor Regulations*. There was one suspension served. Each letter of warning or suspension may include several infractions.

Activity		
Infractions	Warnings	Suspensions
Permitting intoxicated patrons to enter or remain on premises	24	2
Over-serving patrons	11	2
Permitting violent, riotous or disorderly conduct on premises.....	1	
Selling liquor to intoxicated persons or person appearing to be intoxicated.....	7	
Permitting intoxicated patrons to enter or remain on premises	1	
Permitting liquor purchased for on premises consumption to be taken off premises.....	1	
Selling and serving liquor outside the authorized hours	1	
Permitting minors in the premises	1	1
Permitting minors to consume and be in possession of liquor.....	1	1
Permitting employees to consume liquor while on duty.....	1	
Permitting gambling on premises.....	1	

Operating Expenses 2006/07

(Does not include Amortization or services received from Government of Yukon without charge.)

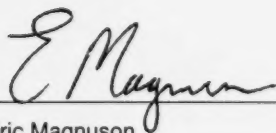


Yukon Liquor Corporation Management's Responsibility for Financial Statements

The management of the Yukon Liquor Corporation is responsible for establishing and maintaining a system of books, records, internal controls and management practices designed to provide reasonable assurance that reliable financial information is produced; the assets of the Corporation are safeguarded and controlled; the transactions of the Corporation are in accordance with the relevant legislation, regulations and by-laws of the Corporation; the resources of the Corporation are managed efficiently and economically; and the operations of the Corporation are carried out effectively.

Management is also responsible for the integrity and objectivity of the financial statements of the Corporation. The financial statements as at March 31, 2007, which include amounts based on management's best estimates as determined through experience and judgement, are prepared in accordance with Canadian generally accepted accounting principles.

These financial statements have been independently audited by the Corporation's external auditor, the Auditor General of Canada, and her report is included in this report.



Eric Magnuson
A/President



Temes Cherinet
Director, Shared Services, Finance,
Systems & Admin

July 11, 2007



Auditor General of Canada
Vérificatrice générale du Canada

To the Minister responsible for the Yukon Liquor Corporation

I have audited the balance sheet of the Yukon Liquor Corporation as at March 31, 2007 and the statements of income and equity and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Liquor Act*, I report that, in my opinion, these principles have been applied, after giving retroactive effect to the change in the method of accounting for services received and provided without charge as explained in Note 3 to the financial statements, on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept and the financial statements are in agreement therewith, and the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in a significant respects, been in accordance with the *Liquor Act* and regulations, the *Liquor Tax Act*, the *Financial Administration Act* and the regulations and the by-laws of the Corporation.

Sheila Fraser

Sheila Fraser, FCA
Auditor General of Canada

Vancouver, Canada
July 11, 2007

Balance Sheet as at March 31, 2007**ASSETS**

	2007	2006
	(in thousands)	
Current		
Cash	\$ 1,409	\$ 664
Accounts receivable (Note 4)	80	59
Inventories	2,138	2,327
	3,627	3,050
Property, plant and equipment (Note 5 and 7)	2,051	2,374
	<u>\$ 5,678</u>	<u>\$ 5,424</u>

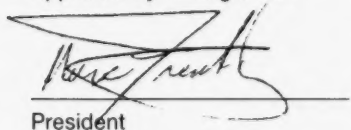
LIABILITIES & EQUITY

Current		
Accounts payable and accrued liabilities (Note 4)	\$ 977	\$ 1,186
Due to the Government of the Yukon (Note 6)	1,929	1,183
Deferred revenue	88	89
	2,994	2,458
Non-pension benefit liability (Note 9)	633	592
	3,627	3,050
Equity (Note 7)	2,051	2,374
	<u>\$ 5,678</u>	<u>\$ 5,424</u>

Commitments (Note 10)

The accompanying notes are an integral part of the financial statements.

Approved by Management



President



A/Director, Shared Services, Finance, Systems & Admin

Statement of Income and Equity for the year ended March 31, 2007

	2007	2006
	(in thousands)	
	(Restated - Note 3)	
Sales		
Beer	\$ 13,234	\$ 12,334
Spirits	7,571	7,038
Wine	4,315	3,817
	25,120	23,189
Cost of goods sold	12,577	11,818
Gross profit	12,543	11,371
Expenses		
Salaries and benefits	3,364	3,125
Rent, utilities and maintenance	1,445	1,355
Shared corporate services costs	898	906
Services provided to Government of Yukon without charge (note 8c)	452	443
Amortization	394	349
Bank expenses	252	226
Travel and communications	222	192
General and office supplies	160	129
Other	110	108
	7,297	6,833
Operating income	5,246	4,538
Other income		
Fees, permits and licences	112	109
Miscellaneous	10	20
Services received from Government of Yukon without charge (note 8c)	551	551
	673	680
Net Income (notes 5 and 7)	\$ 5,919	\$ 5,218
Equity, beginning of year	\$ 2,374	\$ 2,364
Funds repayable to Government of Yukon	(5,919)	(5,218)
Add: property, plant and equipment additions	71	425
Less: disposal of land	-	(66)
Less: amortization	(394)	(349)
Equity, end of year (note 7)	\$ 2,051	\$ 2,374

The accompanying notes are an integral part of the financial statements.

Statement of Cash Flows for the year ended March 31, 2007

	2007	2006
	(in thousands)	
Operating activities		
Cash receipts:		
Sales - spirits, wine and beer	25,120	23,189
Annual licence fees and other	97	106
Cash disbursements:		
Purchases	(12,387)	(12,458)
Salary, wages and benefits	(3,759)	(3,493)
General and administrative expenses	(3,214)	(3,070)
Net cash available from operating activities	<u>5,857</u>	<u>4,274</u>
Investing activities		
Cash receipts:		
Disposal of land	-	66
Cash disbursements:		
Acquisition of property, plant and equipment	(71)	(425)
Net cash used in investing activities	<u>(71)</u>	<u>(359)</u>
Financing activities		
Cash disbursements:		
Remittance of income to the Government of Yukon	(5,041)	(4,001)
Net cash used in financing activities	<u>(5,041)</u>	<u>(4,001)</u>
 Increase/(decrease) in cash for the year	 <u>745</u>	 <u>(86)</u>
Cash, beginning of year	<u>664</u>	<u>750</u>
Cash, end of year	<u><u>\$ 1,409</u></u>	<u><u>\$ 664</u></u>

The accompanying notes are an integral part of the financial statements.

Notes to the Financial Statements

March 31, 2007

1. Authority and Operations

The Corporation, established in 1977 under the *Liquor Act*, is responsible for the purchase, distribution and sale of liquor within the Yukon. It is responsible for controlling the sale of liquor through licensed outlets and enforcing all matters related to the *Act*.

In accordance with the *Liquor Act*, the net income for the year, before amortization, less amounts expended on property, plant and equipment, is remitted to the Government of the Yukon on a monthly basis.

The Corporation is required by the *Liquor Tax Act* to collect liquor taxes on behalf of the Government of the Yukon and to remit these taxes on a monthly basis. The current rate is 12%, and is applied to all selling prices.

In accordance with the provisions of the *Beverage Container Regulations* under the *Environment Act*, the Corporation collects various beverage container deposits and recycling surcharges on the sale of its products. These amounts are remitted to the Recycling Fund on a monthly basis after deducting deposit refunds paid and fees earned under the program.

As a territorial corporation of the Yukon Government, the Corporation is exempt from income taxes under Section 149(1)(d) of the *Canadian Income Tax Act*.

2. Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are as follows:

Inventories

Inventories are comprised of alcoholic beverages for resale and are valued at the lower of landed cost at Whitehorse, or market.

Revenue recognition

Revenue is recognized when the sale of products is made to customers.

Expense recognition

Expenses are recognized as incurred, on an accrual basis, in the period to which they relate.

Amortization

Amortization of property, plant and equipment owned by the Corporation is calculated on a straight-line basis and is based on the estimated useful lives of the assets as follows:

Buildings	20 years
Furniture and office equipment	5 years
Equipment	5 years
Systems equipment and software	5 years
Leasehold improvements	4 years or remaining term of lease

Employee future benefits

Non-pension benefits

Under the conditions of employment, employees may qualify and earn employment benefits for vacation, sick, compensatory and personal leave, travel bonus, and severance benefits. The benefit obligation was determined on an actuarial basis. The costs of these benefits are accrued as employees render the services required to earn them. The obligation for vacation leave, sick leave, and severance benefits were calculated using the projected benefit method pro-rated on service. The remainder was calculated assuming all employees would receive the benefits on valuation date.

2. Accounting Policies continued**Pension benefits**

All eligible employees participate in the Public Service Pension Plan administered by the Government of Canada. The Corporation's contribution to the Plan reflects the full cost of the employer contributions. This amount is currently based on a multiple of the employee's required contributions, and may change from time to time depending on the experience of the Plan. These contributions represent the total pension obligations of the Corporation and are expensed during the year in which the services are rendered. The Corporation is not currently required to make contributions with respect to any actuarial deficiencies of the Public Service Pension Plan.

Services provided without charge

As described in Note 3, the Corporation records in the Statement of Income and Equity services it receives or provides without charge to the Government of Yukon in the normal course of operations, at carrying amount. These services include the following:

- services, primarily accommodation, provided by the Government of the Yukon;
- services provided by the Corporation to the Government in its capacity of Territorial Agent in localities outside of Whitehorse.

Use of estimates

The preparation of the financial statements in accordance with Canadian generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting year. Estimates are used when accounting for matters such as amortization and non-pension benefit liability. Actual results could differ materially from these estimates.

3. Change in Accounting Policy

The Corporation has chosen to recognize services received from and provided to the Government of Yukon at carrying amount (see note 8c). Recording the value of services provided without charge both by and to the Government recognizes and discloses the full cost of operations of the Corporation.

There is no effect on the 2007 net operating results of the Corporation as a result of this change. However, individual financial statement items have been affected as follows:

	2007	2006
Other income: Government of Yukon, services provided without charge: increased	\$ (551,357)	\$ (550,594)
Expenses: Government of Yukon, services received without charge: increased	452,201	442,761
Expenses: Salaries and benefits: decreased	(394,414)	(368,034)
Expenses: Rent, utilities and maintenance: increased	483,079	465,794
Expenses: Travel and communications: decreased	(4,403)	(4,153)
Expenses: General and office supplies: increased	14,894	14,226

This change in accounting policy has been applied retroactively and certain prior year comparative revenue and expense figures have been restated.

4. Fair Values of Financial Instruments

Accounts receivable, accounts payable and accrued liabilities and the amount due to the Government of the Yukon are incurred in the normal course of business. All are due on demand and are non-interest bearing. The carrying amounts of each approximate fair values because of their short maturity.

5. Property, Plant and Equipment

Property, plant and equipment purchased by the Corporation after March 31, 1990 are as follows:

	2007		2006	
	Cost	Accumulated Amortization	Net book Value	Net book Value
	(in thousands)			
Land	\$ 202	\$ -	\$ 202	\$ 202
Buildings	4,790	3,413	1,377	1,600
Furniture and office equipment	92	85	7	14
Equipment	360	316	44	27
Systems equipment and software	543	202	341	394
Leasehold improvements	357	277	80	137
	<u>\$ 6,344</u>	<u>\$ 4,293</u>	<u>\$ 2,051</u>	<u>\$ 2,374</u>

6. Due to the Government of the Yukon

	2007	2006
	(in thousands)	
Reimbursements due for salaries to employees, shared services costs, and other costs paid on behalf of the Corporation (Note 8d)	368	385
Adjusted net income (Note 8a)	1,293	92
Liquor tax (Note 8b)	198	23
Net remittances due to the Recycling Fund	70	683
Net due at the end of the year	<u>\$ 1,929</u>	<u>\$ 1,183</u>

In accordance with the provisions of the *Beverage Container Regulations* under the *Environmental Act*, the Corporation collects various beverage container deposits and recycling surcharges on the sale of its products. These amounts are remitted to the Recycling Fund payable to the Government of Yukon on a monthly basis after deducting deposit refunds paid and fees earned under the program.

7. Equity

This amount represents the sum of the net book value of property, plant and equipment purchased by the Corporation after March 31, 1990, \$2,051,000 (2006 - \$2,374,000) which the Government of the Yukon has provided to the Yukon Liquor Corporation on a cumulative basis.

8. Related party transactions**a) Adjusted Net Income**

Calculation of adjusted net income due to the Government of the Yukon for the year (Note 1):

	<u>2007</u>	<u>2006</u>
	(in thousands)	
Balance due (remitted in advance) at the beginning of the year	\$ 92	\$ (1,115)
Net income	5,919	5,218
Capital expenditures	(71)	(425)
Property, plant and equipment amortization	394	349
Disposal of land	-	66
Adjusted net income due to the Government of the Yukon	<u>6,242</u>	<u>5,208</u>
Less: remitted during the year	<u>(5,041)</u>	<u>(4,001)</u>
Balance due at the end of the year	<u>\$ 1,293</u>	<u>\$ 92</u>

b) Liquor tax

Liquor tax collected and due to the Government of the Yukon for the year (Note 1):

	<u>2007</u>	<u>2006</u>
	(in thousands)	
Balance due at the beginning of the year	\$ 23	\$ 190
Liquor tax collected during the year	3,022	2,783
Less: remitted during the year	<u>(2,847)</u>	<u>(2,950)</u>
Balance due at the end of the year	<u>\$ 198</u>	<u>\$ 23</u>

c) Other transactions

The value of services provided without charge by the Government of the Yukon to the Corporation is estimated to be \$551,357 (2006 - \$550,594). The value of services provided without charge by the Corporation to the Government is estimated to be \$452,201 (2006 - \$442,761). These transactions are included in the financial statements of the Corporation.

The employees of the Corporation are paid by the Government of the Yukon. The Corporation reimburses the Government on a monthly basis for salaries and benefits expenses paid.

d) Shared services costs

The Corporation is part of a Shared Services arrangement with two other government organizations which consolidates functions such as finance and administration, policy and human resources services. The amount charged by the Government of the Yukon to the Corporation for shared services for the year was \$897,607 (2006 - \$905,869). These transactions are in the normal course of operations and are measured at the carrying amount, which is the amount of consideration established and agreed to by the related parties.

9. Employee future benefits

Pension Plan

The Corporation and all eligible employees contribute to the Public Service Pension Plan. This pension plan provides benefits based on years of service and average earnings at retirement. The benefits are fully indexed to the increase in the Consumer Price Index. Contributions during the year were as follows:

	<u>2007</u>	<u>2006</u>
	(in thousands)	
Corporation's Contributions	\$264	\$240
Employees' Contributions	124	117

Non-pension benefits

The Corporation provides non-pension benefits to its employees based on years of service and final salary. This benefit plan is not pre-funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation. Extended health care and insurance plan employee future benefit liabilities are paid by and accrued in the financial statements of the Government of Yukon. The results measured at the balance sheet date are summarized as follows:

	<u>2007</u>	<u>2006</u>
	(in thousands)	
Accrued benefit obligation, beginning of year	\$698	\$691
Cost for the year	142	121
Benefits paid during the year	<u>(67)</u>	<u>(114)</u>
Accrued benefit obligation, end of year	<u>\$773</u>	<u>\$698</u>
Short-term portion (vacation)	\$139	\$106
Long-term portion	<u>634</u>	<u>592</u>
	<u>\$773</u>	<u>\$698</u>
The significant actuarial assumptions were:		
Discount rate	5.75%	5.75%
Salary escalation rate	2.50%	3.0% on Jan. 1, 2006 2.5% per annum thereafter

The most recent actuarial valuation made for this non-pension benefit plan was of March 31, 2005. The next required valuation would be as of March 31, 2008.

10. Commitments

The Corporation has the following operating leases with commitments for annual rents of leased premises due as follows:

<u>Fiscal</u>	<u>Whitehorse Store</u>	<u>Other Retail Stores</u>	<u>Total</u>
2008	\$ 213,660	\$ 117,533	\$ 331,193
2009	213,660		213,660
2010	213,660		213,660
2011	213,660		213,660
2012	17,805		17,805
Total	\$ 872,445	\$ 117,533	\$ 989,978

The Corporation's buildings are self insured with the Government of Yukon.

11. Reclassification of Comparative Figures

Certain 2006 comparative figures have been reclassified to conform to the presentation of the 2007 financial statements.



Yukon
Liquor Corporation

